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A Study on Application Based Accounting System on Effectiveness of Financial Reporting of Selected Retail Sector

1. INTRODUCTION

1.1 Meaning of Accounting

Accounting is the processor keeping the accounting books of the financial transactions of the company. The accountants summarize the transactions in the form of journal entries. These entries are used in bookkeeping. The books of accounts are prepared by the accountants as per the regulation of the auditors and various regulating bodies. The accountants might follow the Generally Accepted Accounting Principles (GAAP) or the IFRS (International Financial Reporting Standards) principles.

1.2 Manual Accounting

Business has the option of using a manual accounting system, keeping their financial records by hand is known as manual accounting. Manual accounting systems are most commonly used by small businesses, as these systems have lower upfront cost less than complex accounting software and are relatively easy to use. New or small businesses may not have many financial entries to make and, therefore, their accounting needs are simple.

1.3 Computerized Accounting

Computerized accounting is a software-based budgeting and accounting system for the management of spending, payment processing, budgeting and reporting. It computerizes and automates key aspects of budgeting and accounting and combines them into a unified database and user interface.

1.4 ERP Package

Enterprise resource planning (ERP) refers to a type of software that organizations use to manage day-to-day business activities such as accounting, procurement, project management, risk management and compliance, and supply chain operations. A complete ERP suite also includes enterprise performance management, software that

helps plan, budget, predict, and report on an organization's financial results. Some of the ERP software's are as follows

- NetSuite.
- Sage Intacct.
- SAP Business One.
- SAP.
- SAP S/4HANA Cloud.
- Acumatica.
- TallyPrime.

1.5 Facts and Figures

1. In 2019, the global ERP software market grew by 9%, resulting in a worldwide value of approximately $39 billion in total software revenue.

2. The ERP market remains in a phase of rapid expansion, with total market size expected to exceed rupees 39,42,97,44,75,000 by 2025.

3. Manufacturers represented the largest portion at 47% of companies looking to purchase ERP software, distributors (18%), services (12%) and construction (4%) are the other industries most likely to use ERP software.

1.6 commercial unit in western suburban area of Mumbai region

Commercial Units	**Number of units**
Manufacturing	5,848
Retailers	1,03,837
Hotels and restaurant	98,511
Service provider	201

Source: https://www.statista.com

1.7 Geographical area and demography

The Western Suburbs is the western precinct of the city of Mumbai, India. The Western

Suburbs,Andheri, Bandra, Bhayander, Borivali, Dahisar, Goregaon, Jogeshwari, Juhu, Kandivali, Khar, Malad, Mira Road, Santacruz and Vile Parle. Geographically, the

Western Suburbs lie at the western part of Salsette Island, is a continuous urban sprawl spanning the areas from Bandra to Bhayander, which is separated by the Vasai Creek from Vasai-Virar city and Mithi River from Mumbai city.

2. REVIEW OF LITERATURE

M. Noor ARDIANSAH, Indah Anisykurlillah, Udin UDIN(2021)[1] This study aims to provide empirical evidence of the maturity level of computer-based accounting systems adopted by small and medium enterprises (SMEs) in Semarang – Indonesia. This study is motivated by the limited research on antecedents' adoption of computer-based accounting systems in SMEs.

Li-jun DAI and Fang-lan XU (2017)[2] The researcher had researched and conveyed that, Modern accounting is required to be familiar with computer and accounting information system, but with the development of science and technology and the continuous improvement of the accounting information system, all kinds of problems will follow.

Ali Yaftian, Soheila Mirshekary(2017)[3] The researcher states that, students demonstrate strong positive attitudes towards learning CCAP, and using CCAP elicits active student engagement in the learning processes. The findings also show room for further enhancement of student engagement by integrating CCAP learning tasks with teamwork and developing CCAP-based learning and assessment tasks suitable for higher-order learning outcomes.

Owusu Appiah (2016)[4] The researcher states that, study focuses on the use of computerized accounting systems by SMEs as opposed to manual accounting systems in Ghana. A systematic sampling method was used to select the sample of two hundred SMEs. This survey was restricted to two hundred SMEs in Ashanti Region, out of which seventy-five of them responded.

Hamid Reza Vakilifard and Manoochehr Khorramin (2015)[5] The researcher states that, the rules of accounting passed in 1977 as well as the manuals proposed by Accounting Association in 2000 in the field of financial accounting, and using data electronic media, a change has been made in recording, transferring, and storing information so that using digital technologies such as the internet and mobile phones

rather than registration of documents on papers has brought up a change and development with respect to financial accounting.

Emmanuel Opoku Ware(2015)[6] The researcher had researched and conveyed that, the advantages of a Computerized Accounting System far outweigh its associated challenges as it has impacted the financial reporting of the banks positively. Hence, there is the need for businesses, particularly rural banks to adopt a Computerized Accounting System.

Ahmed, Mire Ahmed(2011)[7] The researcher had researched and conveyed that, Computerized accounting systems improve organizational efficiency and save time. Therefore the researcher wants to investigate how the computerized accounting systems affect the organizational performance.

LokmanMia & BrianClarke(2000)[8] The researcher states that, the results of a study which offers an explanation for the relationship between intensity of market competition and business unit performance, by incorporating into the model managers use of the information provided by the management accounting system (MAS).

3. RESEARCH GAP

Majority of the preceding studies are mainly concentrated to the impact of electronic data processing. Only few studies as analyzed the effectiveness of electronic data processing for managerial decision making aspect but it restricted to the decision making level only. There are no foremost study has been done regarding the effectiveness of application based accounting system on financial reporting of retail sector in western suburban area of Mumbai region.

4. STATEMENT OF THE PROBLEM

In this modern and highly developed technology country, application based accounting system has gained a major importance due to its speedy transaction reporting and accuracy. But still many of the retail units are using the traditional method of recording the business transaction. There are many application based accounting system available for the smooth functioning of the business and for getting very accurate and easy financial information.

5. OBJECTIVE OF THE STUDY

1. To measure, identify and analyse the extent of application based accounting system adoption in small and medium retail sector towards Book keeping.

2. To measure, identify and assess the extent of application based accounting system adoption in small and medium retail sector towards (a) maintaining the integrity of an accounting system (b) types of accounting system, (c) preparing other essential documents, and (d) use of software.

3. To study the difference in application based accounting system adoption between small and medium retail sector and its relationship.

4. To study the perception of businessmen towards pattern of keeping and maintaining accounting system in small and medium retail sector.

5. To study the role and importance of application based accounting system in improving the efficiency of the employee.

6. To find the impact of computer based accounting system on True and Fair view of financial statement.

6. HYPOTHESES OF THE STUDY

Hypotheses 1

H_0: There is no significant relation between small retail sector and medium retail sector on application based accounting system adoption in maintaining the integrity of an accounting system dimension.

H_1: There is a significant relation between small retail sector and medium retail sector on application based accounting system adoption in maintaining the integrity of an accounting system dimension.

Hypotheses 2

H_0: There is no significant relation between small retail sector and medium retail sector on application based accounting system adoption in preparing types of accounting system dimension.

H_1: There is a significant relation between small retail sector and medium retail sector on application based accounting system adoption in preparing types of accounting system dimension.

Hypotheses 3

H_0: There is no significant relation between small retail sector and medium retail sector on application based accounting system adoption in use of software dimension.

H_1: There is a significant relation between small retail sector and medium retail sector on application based accounting system adoption in use of software dimension.

Hypotheses 4

H_0: There is no significant relation between small retail sector and medium retail sector on application based accounting system adoption in preparing journal and subsidiary journal dimension.

H_1: There is a significant relation between small retail sector and medium retail sector on application based accounting system adoption in preparing journal and subsidiary journal dimension.

Hypotheses 5

H_0: There is no significant relation between application based accounting system and improvement in the efficiency of the employee.

H_1: There is a significant relation between application based accounting system and improvement in the efficiency of the employee.

Hypotheses 6

H_0: There is no significant relation between small retail sector and medium retail sector on application based accounting system adoption on True and Fair view of financial statement.

H_1: There is a significant relation between small retail sector and medium retail sector on application based accounting system adoption on True and Fair view of financial statement.

7. RESEARCH METHODOLOGY

7.1 Universe of Data

Total Retail Commercial unit in western suburban area of Mumbai is 1,03,837

7.2 Type of Data

Primary data through structured questionnaire.

Secondary data through bulletin, magazines, journals.

7.3 Sample size

The sample size would be upto 400 respondent.

7.4 Sampling method

Cluster sampling method will be used for collecting the data.

7.5 Data analysis technique

Data analysis will be done with Statistics and inferential analysis technique.

7.6 Importance of the study

The study will help to understand the effectiveness of application based accounting system for effective financial reporting of retail sector operating in western suburban area of Mumbai region.

7.7 Scope and Limitation

The present study is based upon the results of survey conducted on 400 investors. The implications of the study are subject to the limitations of sample size, psychological and emotional characteristics of surveyed population from western suburban are of Mumbai region.

8 CHAPTERISATION SCHEME

The entire research work will run into six chapters.

Chapter 1 Introduction. Which consists of meaning of Accounting, Manual accounting, computerized accounting, ERP package, Fact and Figures related to commercial unit, Geographical area and demography of Konkan and Research

methodology which will contain the different tools and techniques used in preparation of this project..

Chapter 2 Review of Literature which will covers the study related to similar topic by the different authors which are published in various journals.

Chapter 3 Profile of Retail sector operating in western suburban area of Mumbai region.

Chapter 4 Data analysis and Interpretation.

Chapter 5 Suggestion, Recommendation and Conclusion.

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